

The complaint

Mr F complains about the settlement that U K Insurance Limited (UKI) offered him for the total loss of his car following a claim made on his motor insurance policy. He's also unhappy with its level of service. He wants the true value of his car and compensation for his time spent on calls and alternative transport costs.

What happened

Mr F's car was stolen from outside his home and later recovered by the police. The car was damaged during the recovery. Mr F then made a claim on his policy. UKI offered him £14,884, less the policy excess and the car's retention value, in settlement of his claim. But Mr F was unhappy with this and with the level of service he received. He thought his car was worth about £16,000 and he also thought the damage caused wasn't enough to make repairs uneconomical.

Mr F said he wasn't provided with a courtesy car or compensated for loss of his personal belongings. He was also unhappy with UKI's communication, and he said this caused him stress. He was unhappy that UKI wouldn't add his replacement car to the policy and so he lost six months' cover. UKI agreed that there had been service failings, and it paid Mr F £100 compensation for this.

Our Investigator didn't recommend that the complaint should be upheld. He thought UKI had reasonably relied on an engineer's report to decide not to repair the car. He thought UKI based its settlement for the car's market value on the motor valuation guides we use. And he thought it had justified its settlement offer.

He thought Mr F wasn't entitled to a courtesy car as his car wasn't being repaired and that he'd been compensated for the loss of a child seat. He thought it was for UKI to decide whether or not to cover Mr F's replacement car and to offer Mr F a new policy. So he thought the settlement offer and UKI's payment of compensation for its service failings was fair and reasonable.

Mr F replied that he felt unfairly treated by UKI. He thought the repair costs were exaggerated, and that the settlement didn't take into account his car's engine size. He said he had been treated poorly by UKI, and this matter was causing him anxiety. Mr F asked for an Ombudsman's review, so the complaint has come to me for a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I can understand that Mr F wants a fair settlement for the loss of his car. He said that he thought his car was worth about £16,000 and so he was disappointed with UKI's offer. I can also understand that Mr F felt frustrated by the claim process. Dealing with a claim can be a stressful and time-consuming business.

UKI said Mr F's car was beyond economical repair. It based this on an engineer's report that compared the likely cost of repairs to the car's pre-loss market value. Mr F said some of the repairs included weren't needed. But I can't see that he's provided any expert engineering

evidence to support his view. So I don't think it's unreasonable for UKI to rely upon its engineer's report and decide not to repair the car, as it's entitled to do by the policy's terms and conditions.

Mr F's policy provides for the car's market value in the case of its total loss. I can see that this is defined in the policy booklet as:

"The cost of replacing your car with another of the same make and model, and of a similar age, mileage, and condition at the time of the accident or loss."

We don't provide valuations for cars but look to whether the insurer's offer is reasonable. In most cases, we assess the market value as the price which the consumer would have had to pay for a comparable vehicle across the various markets, immediately before the time of the damage or loss.

This could be slightly less than advertised retail prices, although this will depend on the most likely market for the particular age and model of vehicle. Because of recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price.

Assessing the value of a used vehicle isn't an exact science. We generally find the valuations given in motor valuation guides most persuasive. These guides are based on extensive nationwide research of likely selling prices. We also take all other available evidence into account, for example, engineer's reports, advertised prices and independent valuations.

Our Investigator thought UKI's settlement offer was fair and reasonable. So I've checked how he came to this conclusion. I can see that he looked in the motor valuation guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mr F's car at the date of its loss. This took into account the car's engine size.

Given the current challenges in the used car market the motor valuation guides have a wider range of values than we have seen previously. And we think going by the highest will ensure consumers have received a fair offer, allowing them to replace their car with one of the same make, model and specification. So we now expect insurers to pay the highest of the valuation guides, unless they are able to provide us with evidence which supports a lower valuation.

UKI had provided a valuation of £14,884, which was the average of the valuations provided by the guides. This took into account the car's optional extras, its lower than average mileage and included a small deduction for pre-accident damage. The valuation was supported by market research which showed similar cars advertised for sale at lower prices. And UKI didn't make a deduction for the car having no valid MOT at the date of its loss.

And so I'm persuaded that UKI justified its decision to pay a lower amount than the highest valuation. And so I agree that UKI's offer was fair and reasonable as it was made in keeping with our approach and the policy's terms and conditions. I don't require it to increase this.

Mr F said he was without transport for about six weeks as UKI didn't provide him with a courtesy car. But I can see that Mr F's policy only provides a courtesy car when his car is being repaired. And, as Mr F's car was a total loss, the policy didn't provide a courtesy car.

Mr F was unhappy that his personal possessions weren't covered. But the policy only provided for a child car seat replacement, not other possessions. And Mr F has told us that he received a payment to cover a replacement after UKI pointed out that he hadn't made a claim for this. Mr F was unhappy with the amount he received, but unfortunately he wasn't able to provide evidence that the replacement cost was higher than the amount he received. So I can't say that UKI did anything wrong here.

UKI agreed that its level of service had been poor as Mr F was kept on hold for long periods when he called for an update, and it delayed sending him an interim settlement by a week.

I've checked UKI's file, and I can't see that it caused any other avoidable delays in progressing the claim and I think it updated Mr F when there was news for him.

UKI paid Mr F £100 compensation for this trouble and upset. I think that's in keeping with our published guidance where the impact of an error has been felt over a short period. And so I'm satisfied that UKI's compensation was fair and reasonable, and I don't require it to increase this.

Mr F was unhappy that UKI wouldn't cover his replacement car meaning that he wasn't able to use six months of cover that remained on the policy. But UKI has explained that it declined cover because the replacement car didn't meet the underwriting criteria for his policy. UKI also declined to offer cover for his replacement car on a new policy. And I think it's entitled to decide whether or not to offer cover as this is its commercial decision. And so I can't say it did anything wrong in declining to cover Mr F further.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 21 July 2025.

Phillip Berechree
Ombudsman